

CONSUMER: Lodging

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Reasons for this report

- ✓ Our analysis of the most recent weekly China and Europe lodging results

Intl hotels' RevPAR last week: China +67% y/y (-3% vs 2019), Europe +19% y/y (+25% vs 2019).

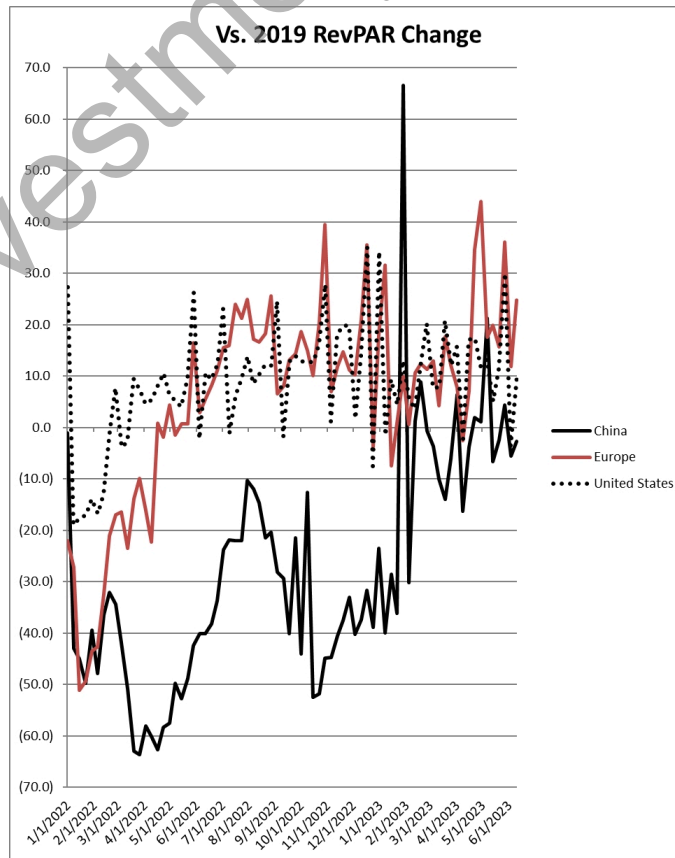
China: Per STR for the week ending June 10th, hotel RevPAR in China in local currency was +66.7% vs. +60.4% y/y in the prior week. Last week's RevPAR was up against a -22.1% y/y comparable result in 2022 and vs. -21.6% in the prior week. *Versus 2019, RevPAR was -2.6%, up from -5.5% in the prior week's result.*

Europe: RevPAR in Europe in Euros was +19.4% y/y vs. +9.3% in the prior week. Last week's RevPAR was up against a +166.6% comparable result in 2022 and +138.7% in the prior week. *Versus 2019, RevPAR was +24.8%, up from the +11.8% in the prior week.*

Overall U.S. RevPAR was -1.2% y/y for the week ending 6/10/2023, per STR, similar to the prior week's result of -1.0%, and below the trailing 10-week average of +2.7%. Versus 2019, RevPAR was +10.0%, above the prior week's result of -3.5%, but below the trailing 10-week average of +11.1%.

- The y/y comparison was clean with no holiday shifts. We see continued evidence of difficult comps for summer leisure travel which is most evident in high-end resorts and in the lowest-priced hotels (Economy and some Independents).

Exhibit 1: Vs. 2019 RevPAR Change for China, Europe, US



Source: STR, Truist Securities Research

RevPAR detail for week ending June 10th vs. trailing 28 days (see charts at end of note for graphical representations):China (local currency):

- RevPAR was +66.7% y/y for the week ending June 10th, **lower than** the +75.5% for the trailing 28 days.
- ADR was +25.4% y/y for the week ending June 10th, **lower than** the +27.4% for the trailing 28 days.
- Occupancy was +32.9% y/y for the week ending June 10th, **lower than** the +37.7% for the trailing 28 days.

Europe (in Euros):

- RevPAR was +19.4% y/y for the week ending June 10th, **higher than** the +15.6% for the trailing 28 days.
- ADR was +14.5% y/y for the week ending June 10th, **higher than** the +12.2% for the trailing 28 days.
- Occupancy was +4.3% y/y for the week ending June 10th, **higher than** the +3.0% for the trailing 28 days.

Not for Investment Purposes

EBITDA and rooms exposure by region:

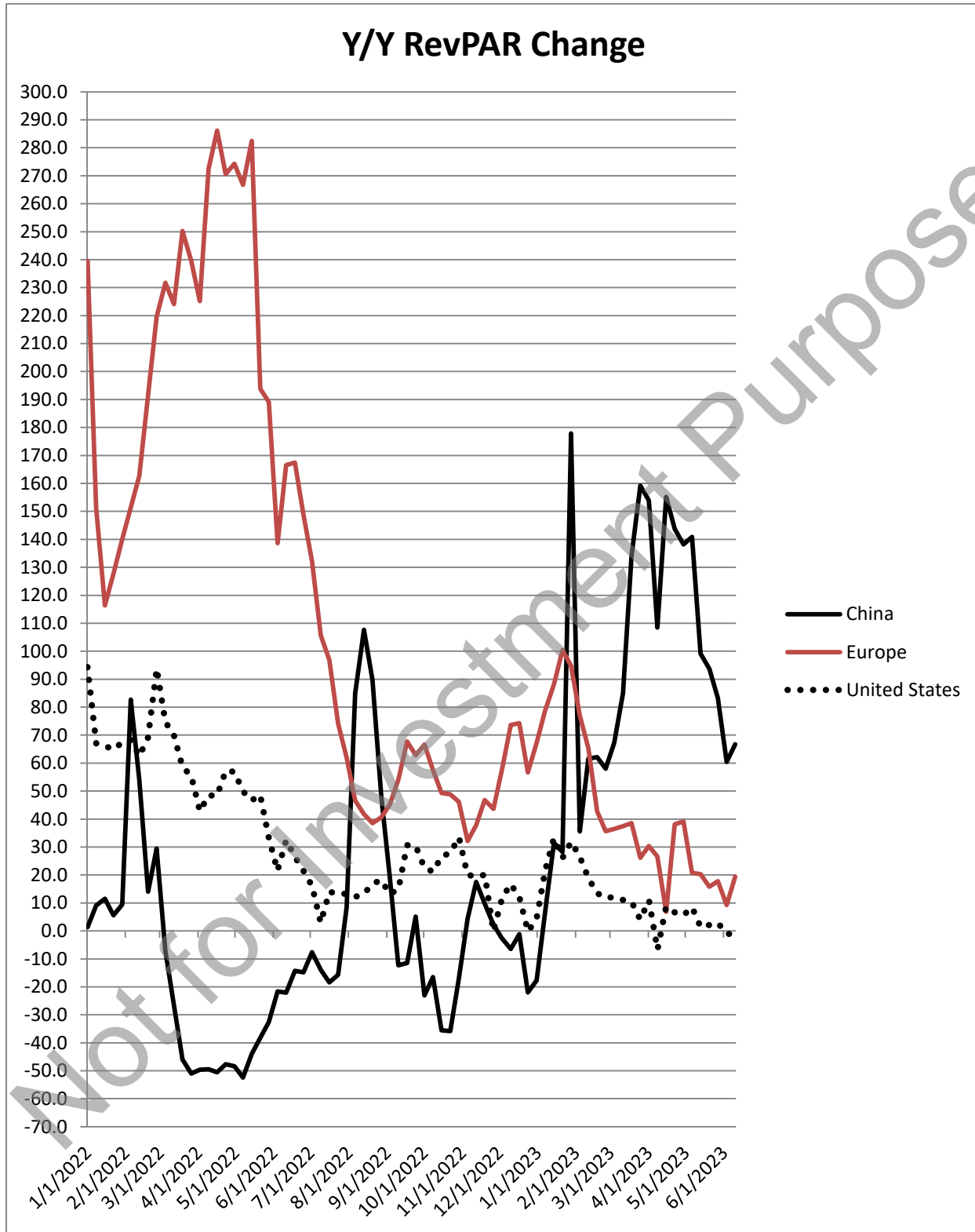
EBITDA: Hyatt (H, Buy), InterContinental (IHG, NR), and Marriott (MAR, Hold) are among the Lodging C-corps that have the greatest exposure to Europe and Asia. From Europe, MAR generates approximately 15% of EBITDA, IHG 15%, Wyndham (WH, Buy) less than 5%, H roughly 5%, and Hilton (HLT, Hold) 10% each. Of these companies, H and MAR have the greatest exposure to Asia (~10-20% of EBITDA). HLT is approximately 10%. Each of the other companies generates 5% to 10% of EBITDA from the Asia-Pacific region. Following the Apple Leisure Group acquisition, H has a relatively high ~25% exposure to the Americas ex-US/Canada.

- In a normalized environment, Greater China inclusive of Macau and Hong Kong generally represents half of the Asia-Pacific EBITDA from the C-corps.

Rooms (as of 4Q21; figures may not round to 100%):

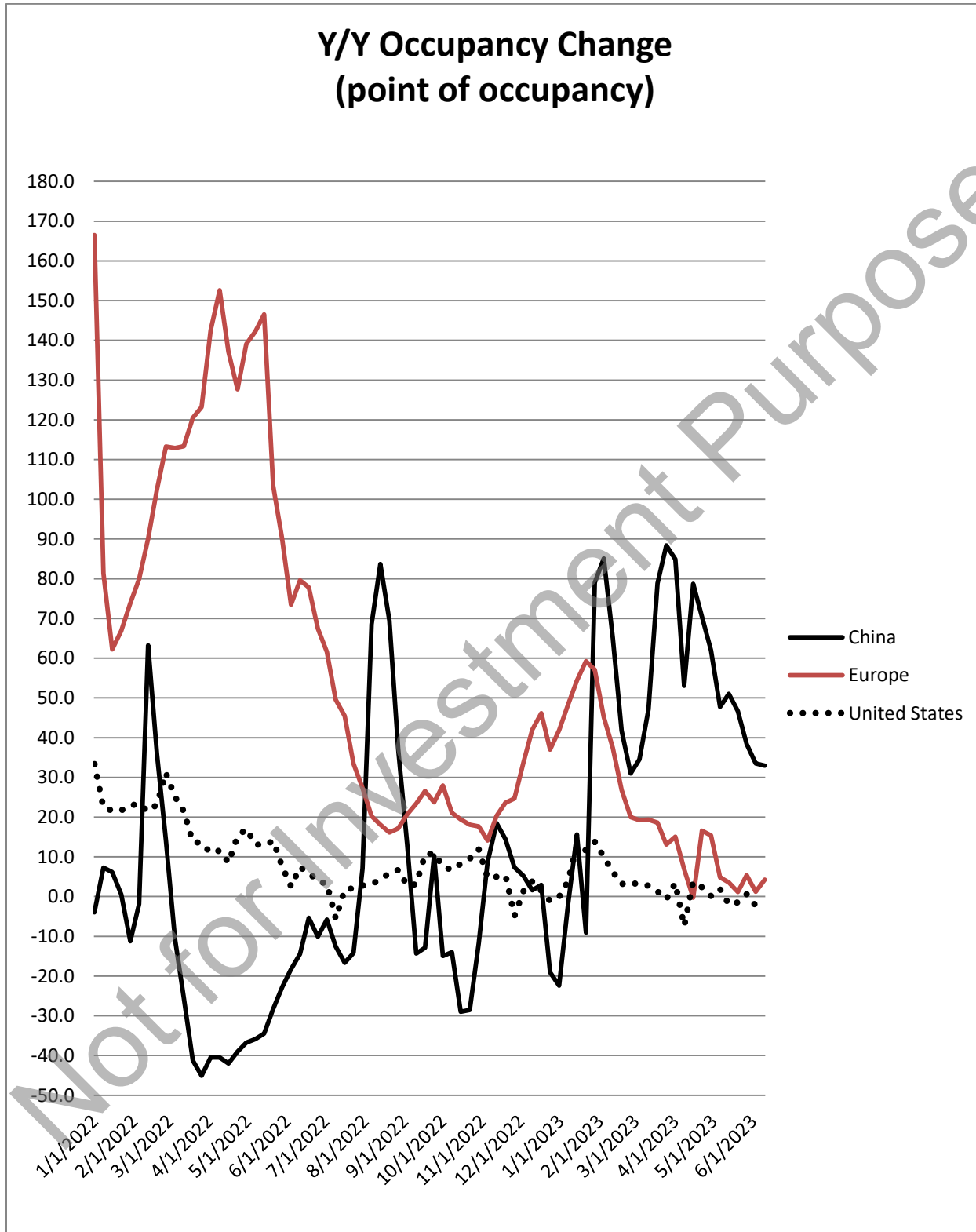
- CHH:
 - Domestic: 79%
 - Asia-Pacific: 4%
 - Europe/Middle East: 9%
 - Latin America & Canada: 8%
- H (includes owned/leased hotels):
 - Americas ex-all inclusives: 57%
 - Asia-Pacific: 18%
 - Europe/Africa/Mid East/SW Asia ex-all inclusives: 12%
 - Americas ALG + Ziva/Zilara: 9%
 - Europe ALG: 4%
- HLT:
 - US: 70%
 - Americas: 6%
 - Europe: 9%
 - Middle East/Africa: 3%
 - Asia Pacific: 12%
 - Other hotels, likely to be converted to a brand, with no geography noted: 0.3%
- IHG:
 - Americas: 57%
 - EMEAA: 25%
 - Greater China: 18%
- MAR (ex-timeshare):
 - North America: 65%
 - Europe: 9%
 - Middle East/Africa: 4%
 - Asia Pacific: 18%
 - Caribbean/Latin America ("CALA"): 4%
- WH:
 - US: 61%
 - Canada: 5%
 - Greater China: 19%
 - Rest of Asia: 4%
 - Europe/Middle East/Africa: 8%
 - Latin America: 4%

Exhibit 2: Y/Y RevPAR change for China, Europe, US



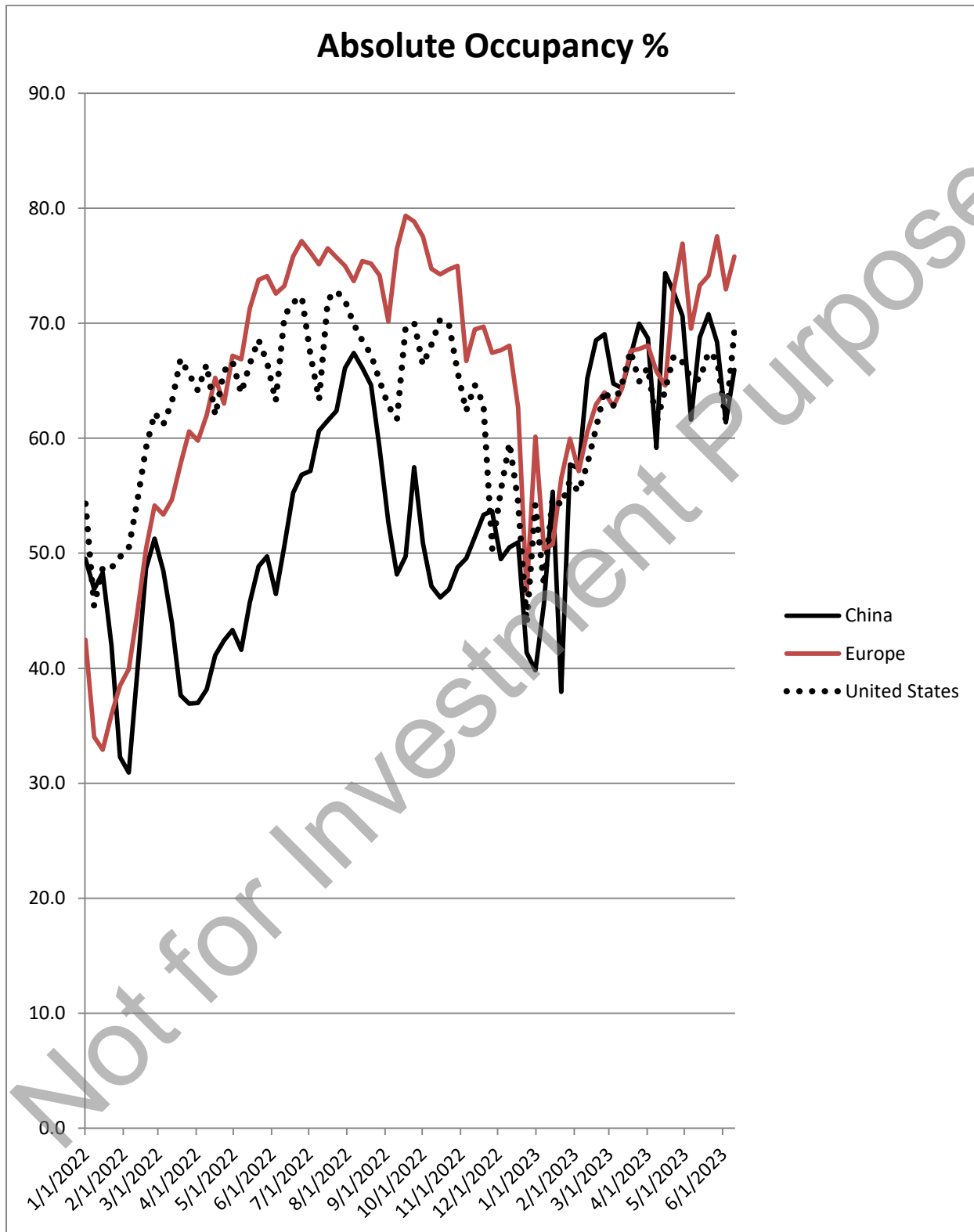
Source: STR, Truist Securities research

Exhibit 3: Y/Y Occupancy change for China, Europe, US



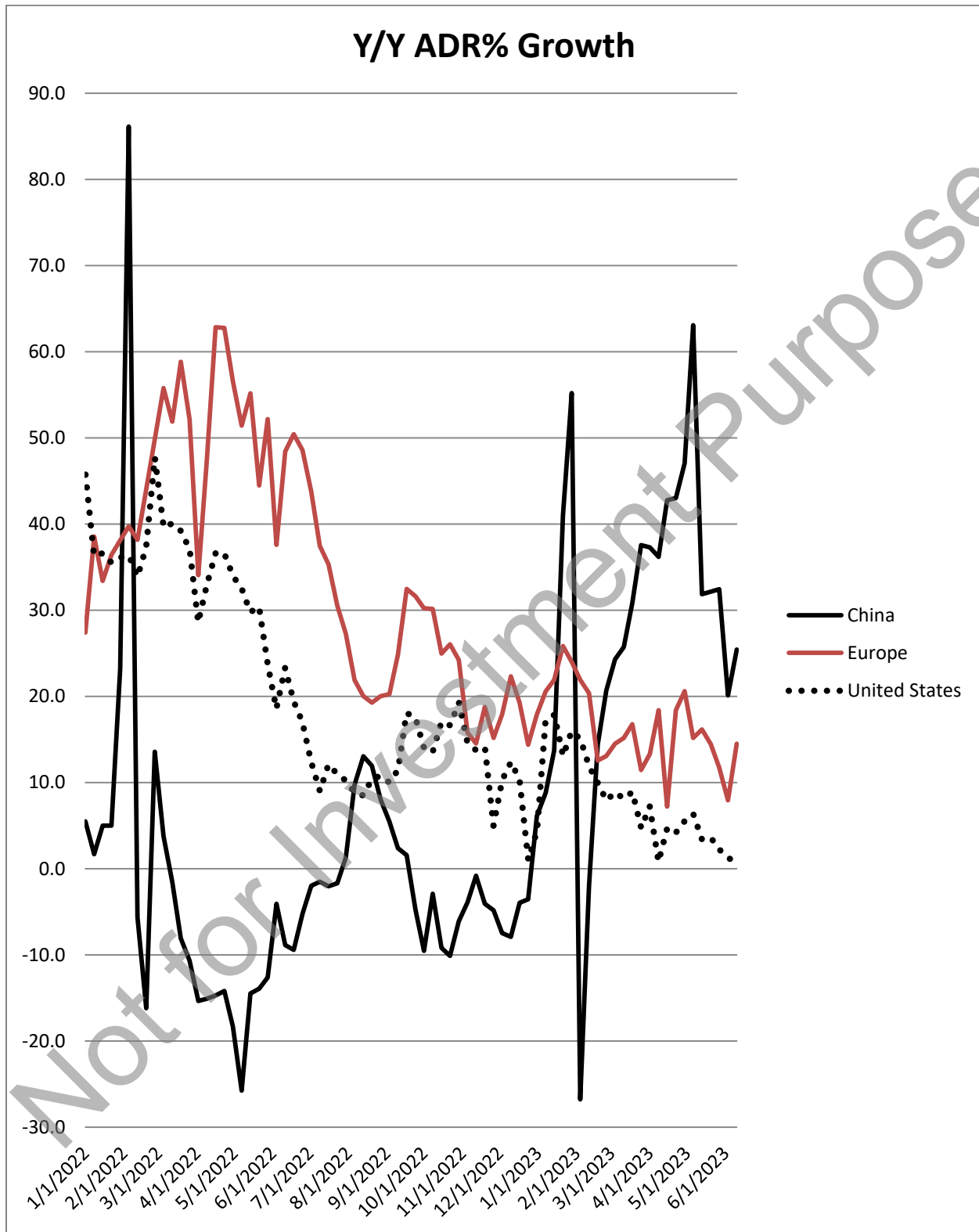
Source: STR, Truist Securities research

Exhibit 4: Absolute Occupancy % for China, Europe, US



Source: STR, Truist Securities research

Exhibit 5: Y/Y ADR % change for China, Europe, US



Source: STR, Truist Securities research

H: Valuation and Risks

Our price target of \$149 is derived by applying a 14.1x target EV/EBITDA multiple (a blended average of the industry multiples for each business segment) to our estimate for 2024 EBITDA. Our sum-of-the-parts analysis on our 2024 segment multiple assumptions include (12.5x owned EBITDA u/c, 16x fees EBITDA u/c) and other segments/ALG (10-12x, u/c).

Risks to our rating and price target: Lodging recovery takes longer than expected. Planned dispositions take longer than expected. Material labor issues to owned hotels. Regional risks to the Caribbean including material new competitive supply growth. H pipeline growth slower than expected. Apple Leisure Group underperforms Hyatt's guidance.

HLT: Valuation and Risks

We apply a blended multiple of 16.6x (11.5x for Owned/leased and 17.0x for Managed/franchised) to our 2024 adjusted EBITDA estimate to derive a price target of \$165. This multiple is above the high end of the historical range of 10x-16x.

Risks to our rating and price target:

Upside risks include: Higher than expected pipeline growth, material RevPAR growth (macroeconomic improvement beyond expectations), material market share gains.

Downside risks include: Growth trajectory could disappoint. Pipeline growth could either slow down or projects scheduled for construction could be canceled, which would diminish system growth for the firm and disappoint investors.

MAR: Valuation and Risks

Our \$213 price target is based on a 16.7x blended multiple on our 2024E EBITDA. In the parts, we assign a 13.0x multiple of EBITDA to the Owned segment and 17.0x fees EBITDA (the fees EBITDA also includes credit card branding fees, a 10x multiple business) to the managed/franchised business. The multiple is towards the higher end of the historical range of 9-18x.

Risks to our rating and price target:

Upside Risks: Significant U.S macroeconomic improvement results in large recovery in transient corporate and group/convention demand. Owned assets sell for premium prices relative to MAR expectations. Supply growth is stronger than expectations. Consolidation in the lodging industry benefits MAR.

Downside Risks: Deep macroeconomic recession. Geopolitical, inflation, and policy risks negatively impact lodging demand. Inability to grow pipeline in line with Street expectations.

WH: Valuation and Risks

Our price target of \$96 for WH is based on a 15.0x multiple (in line with portfolio quality/RevPAR relative to peers) of our 2024 EBITDA estimate.

Risks to our rating and price target: Slowdown in development opportunities. Macro demand/pipeline headwinds.

Companies Mentioned in This Note

Choice Hotels International, Inc. (CHH, \$115.33, Hold, C. Patrick Scholes)

Hyatt Hotels Corporation (H, \$116.89, Buy, C. Patrick Scholes)

Hilton Worldwide Holdings Inc. (HLT, \$143.55, Hold, C. Patrick Scholes)

Marriott International, Inc. (MAR, \$181.46, Hold, C. Patrick Scholes)

Wyndham Hotels & Resorts, Inc. (WH, \$70.14, Buy, C. Patrick Scholes)

InterContinental (IHG, NR)

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I, Gregory J. Miller, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

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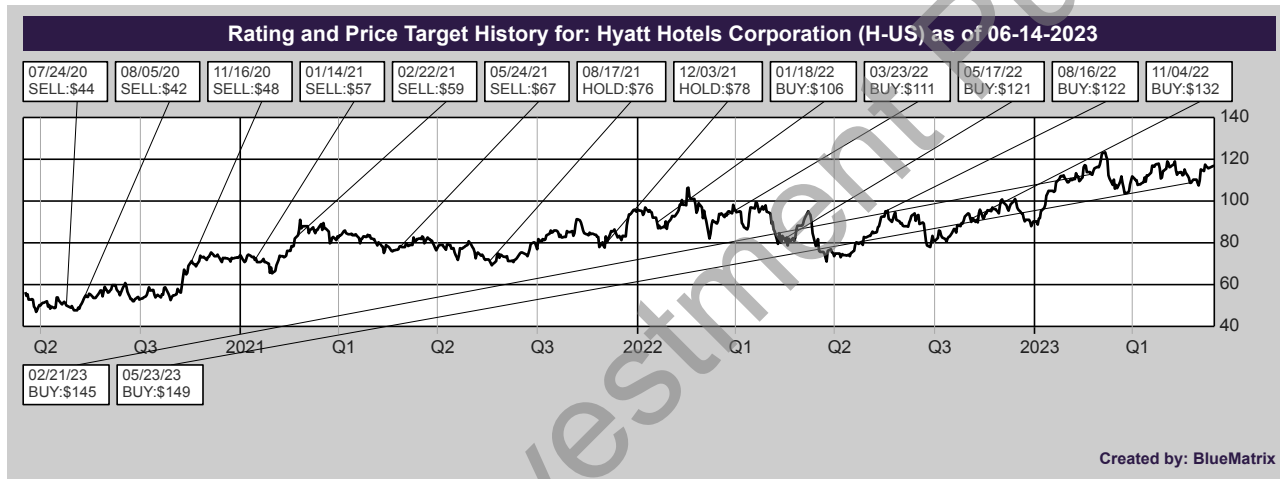
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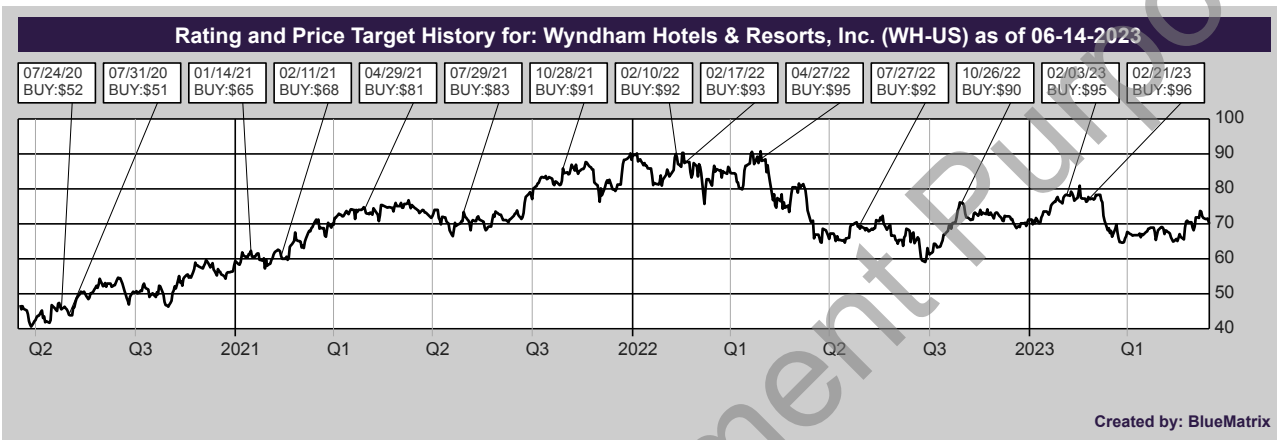
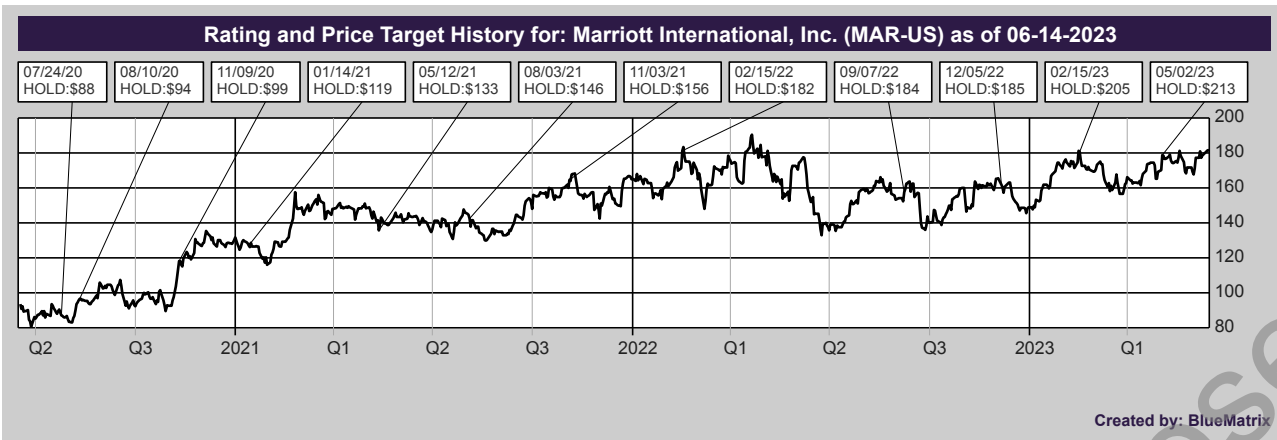
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